



BDO PUERTO RICO, PSC
1302 Ponce De Leon Ave.
Suite 101
San Juan, Puerto Rico 00907
Tel: 787-754-3999
Fax: 787-754-3105
www.bdopr.com

BDO USVI, LLC
Foothills Professional Building
9151 Estate Thomas, Suite 201
St. Thomas, VI 00802
Tel: 340-776-0640
Fax: 340-779-8653
www.bdousvi.com

DEPT. OF STATE

INDEPENDENT AUDITORS' REPORT ON BALANCE SHEET FILED WITH THE DEPARTMENT OF STATE

To the Board of Directors of
Inmediata Health Group, Corp.
(a wholly-owned subsidiary of Inmediata Corporation):

Report on the Financial Statement

We have audited the accompanying financial statement of Inmediata Health Group, Corp. (a wholly-owned subsidiary of Inmediata Corporation) (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



To the Board of Directors of
Inmediata Health Group, Corp.
(a wholly-owned subsidiary of Inmediata Corporation)
Page 2

Basis for Qualified Opinion

As disclosed in Note 5 to the financial statement, for statutory purposes, the Company reports its investment in wholly owned subsidiaries, under the equity method of accounting. In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statement of wholly owned subsidiaries had been consolidated with those of the Company as of December 31, 2017 and 2016, total assets and total liabilities would be increased by \$1,085,067 in 2017 and by \$715,334 in 2016, and revenues and expenses would be increased by \$3,467,073 and \$3,545,440, respectively, for the years then ended.

Qualified Opinion

In our opinion, except for the effects on the financial statement of not consolidating the accounts of its wholly-owned subsidiaries as described in the previous paragraph, the financial statement referred above, present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 10, the Company has extensive transactions and relationships with its affiliated companies. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties. Our opinion is not modified with respect to this matter.

Restriction on Use


This report is intended solely for the information and use of the Board of Directors, the Company's management and Department of State of Puerto Rico responsible for the administration of annual reports and is not intended to be and should not be used by anyone other than these specified parties.

We certify that none of our shareholders is a shareholder or employee of the above Company.

BDO Puerto Rico, PSC
San Juan, Puerto Rico
July 13, 2018

BDO Puerto Rico, P.S.C.
Certified Public Accountants
License No. 4722

53
License No. 53
Expires December 1, 2018



BDO, Puerto Rico, PSC, a Puerto Rico Professional Services Corporation, and BDO USVI, LLC, a United States Virgin Island's limited liability Company, are members of BDO International Limited, a UK company limited by guarantee, and form part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member.

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,672,040	\$ 4,188,833
Accounts receivable, net of allowance for doubtful accounts of \$81,988 in 2017 and \$89,042 in 2016	548,766	488,898
Prepaid expenses and other current assets	550,246	269,668
Dividend receivable from related party	969,478	1,259,586
Due from related parties	<u>1,294,666</u>	<u>240,619</u>
Total current assets	7,035,196	6,447,604
 PROPERTY AND EQUIPMENT, net	 172,248	 353,258
DEFERRED TAX ASSET	171,160	197,229
INVESTMENT IN SUBSIDIARIES	2,772,048	2,051,368
INTANGIBLE ASSETS, net of accumulated amortization of \$5,436,856 in 2017 and 2016	896,853	896,853
OTHER ASSETS	<u>10,525</u>	<u>10,525</u>
	<u>\$ 11,058,030</u>	<u>\$ 9,956,837</u>
 LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	\$ 163,252	\$ 120,258
Taxes	3,605	56,050
Due to related party	-	330,500
Accrued expenses and other liabilities	1,235,607	761,932
Deferred revenues	90,772	78,318
Current portion of long-term debt, net of unamortized deferred financing expenses of \$33,520 in 2017 and 2016	<u>837,598</u>	<u>837,598</u>
Total current liabilities	2,330,834	2,184,656
 LONG-TERM DEBT, net of unamortized deferred financing expenses of \$86,080 in 2017 and \$119,601 in 2016	 <u>784,170</u>	 <u>1,622,065</u>
Total liabilities	<u>3,115,004</u>	<u>3,806,721</u>
 STOCKHOLDER'S EQUITY:		
Common stock, \$10 par value, 10,000 shares authorized, 5,100 shares issued and outstanding	51,000	51,000
Additional paid-in capital	1,454,752	1,454,752
Retained earnings	<u>6,437,274</u>	<u>4,644,364</u>
Total stockholder's equity	<u>7,943,026</u>	<u>6,150,116</u>
	<u>\$ 11,058,030</u>	<u>\$ 9,956,837</u>

The accompanying notes are an integral part of these financial statements.

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. NATURE OF BUSINESS

Inmediata Health Group, Corp. (a wholly-owned subsidiary of Inmediata Corporation) (the "Company") was incorporated under the laws of the Commonwealth of Puerto Rico. The Company is a healthcare information technology firm dedicated to providing software and services to healthcare providers and payers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America, and, as such, include amounts based on judgments, estimates, and assumptions made by management that affect the reported amounts of the assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Following is a description of the more significant accounting policies followed by the Company:

Revenue/Expense Recognition - Revenues are recognized when services are performed and completed in accordance with contractual obligations. Expenses are recognized when incurred.

Cash and Cash Equivalents - Cash includes cash on hand and on deposit. The Company considers highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. No cash equivalents were held by the Company as of December 31, 2017 and 2016.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable are stated at their net realizable value. The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of collectability of the receivables, prior credit loss experience, economic conditions and other relevant factors. Because of uncertainties inherent in the estimation process, management's estimate of credit losses in the accounts receivables outstanding and the related allowance may change in the near future. Losses are charged and recoveries are credited to the allowance for doubtful accounts.

Due From/To Related Party - Due from and due to related parties are stated at their net realizable values and unpaid principal balances, respectively. For financial statements presentation, these transactions were presented netted in the balance sheets when transactions were made with the same related party.

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Property and Equipment - Property and equipment are stated at cost. Vehicles held under capital leases are stated at the present value of the minimum lease payments at the inception of the lease. Expenditures for maintenance, repairs and improvements, which do not materially extend the normal useful life of an asset, are charged to operations as incurred. Additions and improvements, which substantially extend the useful life of the properties, are capitalized. Routine maintenance and repairs are charged against earnings. Upon the sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is recorded to operations.

Depreciation and Amortization - Depreciation and amortization are computed under the straight-line method over the estimated useful life of the depreciable property for owned assets, or the related lease term for vehicles under capital leases, and leasehold improvements, if shorter.

Intangible Assets - Intangible assets consist of a contract rights and goodwill. Contract rights represent the value assigned to existing customer business assumed in the acquisition of a segment of a business of another company. Amortization is provided under the straight line method over five years.

Goodwill arose when the Company purchased in April 2008 the net assets of a segment of a business related to the health industry of a former competitor. Goodwill was recognized when Inmediata Health Group, Corp. acquired, in September 2012, a software known as VisualMass.

The recorded goodwill is tested annually for impairment by the Company, relying on a number of factors including operating results, business plans and projected future cash flows. Since 2012, the Financial Accounting Standards Board ("FASB") established *Accounting Standards Update No. 2012-08—Intangibles—Goodwill and Other (Topic 350)*, which requires an entity to assess qualitative factors in order to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill.

An entity has an unconditional option to bypass the qualitative assessment described in the preceding paragraph for any reporting unit in any period and proceed to a two-step test that starts with a consideration of the fair value of the Company compared to book value and then moves to step 2, if necessary. Fair value of the Company is determined using a discounted cash flow model based on projected results of operations. If step 2 is necessary, the value of goodwill is determined by a residual calculation based on the excess of the fair value of the Company over the net fair value of all of the identifiable assets and liabilities of the Company. Impairment is recognized under step 2, as a charge to earnings, if the calculated value of goodwill is less than the carrying amount. When determining future cash flow estimates, the Company considers historical results adjusted to reflect current and anticipated operating conditions.

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Estimating future cash flows requires significant judgment by the Company in such areas as future economic conditions, industry-specific conditions, product pricing and necessary capital expenditures. The use of different assumptions or estimate for future cash flows could produce different impairment amounts (or none at all) for goodwill. There has been no such impairment for the years ended December 31, 2017 and 2016.

Long-Lived Assets - The Company periodically evaluates its long-lived assets, including intangibles, to determine whether current events and circumstances warrant adjustments to the carrying values or amortization periods. The Company measures impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review of recoverability, an estimate of the future cash flows expected to result from the use of the asset and its eventual disposal must be made. If the sum of the future cash flows (undiscounted and without interest charges) is less than the carrying amount of asset, an impairment loss is recognized. The Company completed all impairment tests and determined that there were no impairment losses to be recognized for the years ended December 31, 2017 and 2016.

Investment in Subsidiaries - Investment in subsidiaries is recorded following the equity method. Under this method, the investment is initially recorded at cost. Thereafter, the carrying amount of the investment is: (a) increased for the investor's proportionate share of the investee's earnings or for capital contributions made, and (b) decreased for the investor's proportionate share of the investee's losses or for dividends received.

Accounting principles generally accepted in the United States of America require that the financial statements of controlled subsidiaries be consolidated with those of its parent company. However, because these statements are prepared only to comply with statutory reporting requirements, the investments in subsidiaries are carried under the equity method.

Income Taxes - The Company accounts for income taxes using an asset-liability approach that requires the recognition of deferred tax asset and liabilities for the expected future tax consequence of events that have been recognized in the Company's financial statements or tax returns. Deferred tax asset and liabilities are attributable primarily to temporary differences resulting from items of revenues and expenses, which are reported for tax purposes in a different year than for financial statements purposes. In assessing the realizability of the deferred tax assets, the Company considers whether it is more likely than not deferred assets will be realized, and establishes a valuation allowance when deemed necessary.

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Recently Issued Accounting Guidance:

Revenue Recognition - In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU No. 2014-09"). This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services.

The guidance is effective for annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU. Nonpublic entities have an additional year to adopt, i.e., the new standard applies for annual periods beginning after December 15, 2017. Management is currently evaluating this standard, including which transition approach to use, and does not expect this update to materially impact the Company's net income, financial position or cash flows.

Revenue - In August 2015, the FASB issued Accounting Standards Update ("ASU") 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date to defer the effective date of ASU 2014-09 ("ASU No. 2015-14"), Revenue from Contracts with Customers by one year.

This guidance is effective for Public business entities with annual reporting periods beginning after December 15, 2017, including interim periods within that year. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that year.

For all other entities, the guidance is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted as of either:

- An annual reporting period beginning after December 15, 2016, including interim periods within that year, or
- An annual reporting period beginning after December 15, 2016 and interim periods within annual reporting periods beginning one year after the annual period in which an entity first applies the new standard.

Management is currently evaluating this standard, including which transition approach to use, and does not expect this update to materially impact the Company's net income, financial position or cash flows.

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Income Taxes - In November 2015, the FASB issued Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU No. 2015-17") to eliminate the guidance in Topic 740, Income Taxes, that required an entity to separate deferred tax liabilities and assets between current and noncurrent amounts in a classified balance sheet. The amendments require that all deferred tax liabilities and assets of the same tax jurisdiction or a tax filing group, as well as any related valuation allowance, be offset and presented as a single noncurrent amount in a classified balance sheet.

The guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. For all other entities, the guidance is effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted as of the beginning of any interim or annual reporting period. Entities may adopt the guidance prospectively or retrospectively. Early adoption is permitted, including for December 31, 2015 year-end financial statements. Management is currently evaluating this update to determine the impact on the Company's financial position and results of operations.

Leases - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU supersedes ASC Topic 840 and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessors and lessees. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset ("ROU") and a lease liability for all leases with a term greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases.

The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, for any of public business entity. For all other entities, the amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, with early adoption permitted. The Company will evaluate in the future how the update will affect the financial statements.

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Statement of Cash Flows - In November 2016, the FASB issued Accounting Standards Update ("ASU") 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash ("ASU No. 2016-08"), that requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update do not provide a definition of restricted cash or restricted cash equivalents.

The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendment is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. Management will adopt this guidance for year ending December 31, 2019, as deemed necessary based on the Company's operations.

Other Recent Accounting Standards Updates - During the year ended December 31, 2017, the FASB issued other accounting standard updates that were not relevant to the Company's operations.

3. ACCOUNTS RECEIVABLE

At December 31, 2017 and 2016, accounts receivable consist of:

	<u>2017</u>	<u>2016</u>
Trade receivables	\$ 581,472	\$ 531,723
Other receivables	<u>49,282</u>	<u>46,217</u>
Total accounts receivable	630,754	577,940
Less: Allowance for doubtful accounts	<u>(81,988)</u>	<u>(89,042)</u>
Net accounts receivable	<u>\$ 548,766</u>	<u>\$ 488,898</u>

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Changes in the allowance for doubtful accounts during the years ended December 31, 2017 and 2016, follow:

	<u>2017</u>	<u>2016</u>
Allowance for doubtful accounts, beginning of year	\$ 89,042	\$ 147,436
Plus: Provision for doubtful accounts	83,861	142,054
Less: Write offs	<u>(90,915)</u>	<u>(200,448)</u>
Allowance for doubtful accounts, end of year	<u>\$ 81,988</u>	<u>\$ 89,042</u>

5. INVESTMENTS IN SUBSIDIARIES

At December 31, 2017 and 2016, investment in subsidiaries consists of 100% of the common stock of Net Claim Solutions, Inc. and Claims Software Development, Corp. The cost, equity in net earnings, dividends received and year-end balance of the investment in subsidiaries account for the years ended December 31, 2017 and 2016, was as follows:

	<u>2017</u>	<u>2016</u>
Investment in subsidiaries at beginning of year	\$ 2,051,368	\$ 939,954
Equity in net earnings of subsidiaries	2,392,784	2,526,485
Dividends declared by related party	(1,730,000)	(1,450,000)
Due from related party contributed to wholly-owned subsidiary	<u>57,896</u>	<u>34,929</u>
Investment in subsidiaries at end of year	<u>\$ 2,772,048</u>	<u>\$ 2,051,368</u>

Net Claim Solutions, Inc. is dedicated to providing electronic data management solutions and will serve as an intermediary in the processing, tracking, analysis and management of electronic transactions using the Internet and World Wide Web technology components to deliver reduced operational costs and improved health services to patients.

Summarized audited financial information prepared under the accrual basis of accounting of Net Claim Solutions, Inc. as of and for the years ended December 31, 2017 and 2016, follows:

	<u>2017</u>	<u>2016</u>
Total assets	\$ 3,559,423	\$ 2,285,452
Total liabilities	\$ 935,662	\$ 384,498
Total stockholder's equity	\$ 2,623,761	\$ 1,900,954
Revenues	\$ 3,467,073	\$ 3,545,440
Net income	<u>\$ 664,911</u>	<u>\$ 1,084,870</u>

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Claims Software Development, Corp. is engaged in the development of software applications related to the processing, tracking, analysis and management of electronic transactions.

Summarized audited financial information prepared under the accrual basis of accounting of Claims Software Development, Corp. as of and for the years ended December 31, 2017 and 2016, follows:

	<u>2017</u>	<u>2016</u>
Total assets	\$ 1,575,891	\$ 1,740,836
Total liabilities	\$ 1,427,604	\$ 1,590,422
Total stockholder's equity	\$ 148,287	\$ 150,414
Revenues	\$ 5,388,836	\$ 5,501,180
Net income	\$ 1,727,873	\$ 1,441,615

6. INTANGIBLE ASSETS

At December 31, 2017 and 2016, intangible assets consist of:

	<u>2017</u>	<u>2016</u>
Contract rights	\$ 5,436,856	\$ 5,436,856
Less: Accumulated amortization	<u>(5,436,856)</u>	<u>(5,436,856)</u>
Net contract rights	-	-
Goodwill	896,853	896,853
Net intangible assets	<u>\$ 896,853</u>	<u>\$ 896,853</u>

Amortization expense recorded during the years ended December 31, 2017 and 2016, amounted to \$0 and \$98,450, respectively, and is disclosed as depreciation and amortization in the accompanying statements of income.

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

7. PROPERTY AND EQUIPMENT

At December 31, 2017 and 2016, property and equipment consist of:

	Useful Life (in years)	2017	2016
Leasehold improvements	3	\$ 608,408	\$ 581,018
Furnitures, fixtures, equipment and other	3-5	2,487,113	2,447,957
Vehicles under capital leases	3	<u>113,919</u>	<u>113,919</u>
Total depreciable assets		3,209,440	3,142,894
Less: Accumulated depreciation and amortization		<u>(3,037,192)</u>	<u>(2,789,636)</u>
		<u>\$ 172,248</u>	<u>\$ 353,258</u>

Depreciation and amortization expense for the years ended December 31, 2017 and 2016, amounted to \$247,555 and \$318,812, respectively.

8. LONG-TERM DEBT

At December 31, 2017 and 2016, long-term debt consists of:

	2017	2016
Original agreement due date was on January 1, 2018, but it was amended on December 26, 2014 to December 19, 2019, bearing interest at 4.50% over 90 day LIBOR rate published on the first day of each quarter (5.99% in 2017 and 5.44% in 2016) with a floor of 6% for 2016 and 2015, payable in 59 monthly installments of \$72,618, plus interest and one final balloon payment, collateralized by the outstanding common stock of the Company, its related parties, and other corporate guarantees.	\$ 1,741,368	\$ 2,612,784
Less: Unamortized deferred financing expenses	<u>(119,600)</u>	<u>(153,121)</u>
Total long-term debt, net	<u>\$ 1,621,768</u>	<u>\$ 2,459,663</u>

At December 31, 2017, the aggregate principal maturities over the next two years are as follows:

Year Ending December 31,	Amount
2018	\$ 871,118
2019	<u>870,250</u>
Total principal payments	1,741,368
Less: Current portion of long-term debt	<u>871,118</u>
Long-term debt	<u>\$ 870,250</u>

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

The Company modified its existing credit facilities in two occasions. The most recent modification was on December 26, 2014, where the Company renewed its existing credit facilities with a financial institution. As a result, the Company paid in full one loan and a line of credit, renewed the remaining loan and incurred in certain expenses associated to the closing of the credit facilities. The Company follows authoritative guidance issued by the FASB, which provides that certain expenses be capitalized over the term of the loan and others be recognized as expense in the period in which it was incurred. During 2017 and 2016, the Company expensed \$91,713 and \$128,688, respectively, which is disclosed as transaction expenses in the accompanying statements of income.

This credit facility requires the compliance with certain restrictive covenants, which in the event of non-compliance provides the financial institution the right to declare the outstanding debt as due and payable in cancellation of the credit agreement. At December 31, 2017 and 2016, the Company was in compliance with the prescribed covenants.

9. COMMITMENTS

Leases

The Company's premises are leased with terms expiring through July 2018. Total rent expense for the years ended December 31, 2017 and 2016, amounted to \$153,360 and \$128,898, respectively.

Future minimum lease payments under existing operating leases at December 31, 2017, amount to \$79,102, expiring in July 2018.

10. RELATED PARTY TRANSACTIONS

The Company is a member of a group of companies that are affiliated through common ownership and management. The affiliated group consists of Inmediata Health Group, Corp., Inmediata Corporation ("Parent"), Net Claims Solutions, Inc., Claim Software Development, Corp., Secure EDI Holdings, Inc., NegoRed Corporation, Secure EDI Health Group, LLC and Secure EDI Holdings, LLC. The Company has significant transactions with its affiliates at terms and conditions arranged by management of the affiliated group. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed or the results of operations, if the Company had been operated as an unaffiliated Company. These transactions include cash advances between the Company and the affiliated group, and licensing fees. At December 31, 2017 and 2016, Claims Software Development, Corp., declared dividends amounting to \$1.73 million and \$1.45 million, respectively. Further, at December 31, 2017 and 2016, the due to related party amounting to \$1,689,608 and \$1,450,000, respectively, was settled against the dividends receivable balance. As of December 31, 2017 and 2016, the remaining of \$969,478 and \$1,259,586, respectively for both years were recorded as a

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

dividend receivable from its subsidiary. Also, at December 31, 2017 and 2016, the Company converted into contribution to wholly-owned subsidiary, due from related party amounting to \$57,896 and \$34,929, respectively. In addition, on December 31, 2016, the Company declared dividends amounting to \$6.2 million, to its parent company. Further, the due from related party was decreased \$6.2 million in 2016, against the dividends declared. No dividends were declared during the year ended December 31, 2017.

At December 31, 2017 and 2016, accounts receivables from related parties consist of:

	<u>2017</u>	<u>2016</u>
Inmediata Corporation	\$ 1,234,755	\$ 240,619
Secure EDI Health Group	59,911	-
Due from related parties	<u>\$ 1,294,666</u>	<u>\$ 240,619</u>

11. INCOME TAXES

FASB issued authoritative guidance on accounting for uncertainty in income taxes that prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken on income tax returns. Under the authoritative accounting guidance, income tax benefits are recognized and measured based upon a two-step model: 1) a tax position must be more likely than not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely than not to be sustained upon settlement. The difference between the benefit recognized in accordance with this model and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. No adjustment was required upon adoption of this accounting guidance.

The Company files income tax returns in Puerto Rico. The Company is subject to income tax examinations for local Puerto Rico income taxes generally for calendar years 2013 through 2017.

Temporary differences giving rise to the deferred tax asset during the years ended December 31, 2017 and 2016, follow:

	<u>2017</u>	<u>2016</u>
Deferred tax asset:		
Provision for doubtful accounts	\$ 31,975	\$ 34,726
Amorization	139,185	162,503
	<u>\$ 171,160</u>	<u>\$ 197,229</u>

The 2011 Internal Revenue Code (the "2011 Code"), as amended, provides for changes in the implications of being part of a controlled group of companies and/or a group of related companies. A controlled group, as defined in Section 1010.4 of the 2011 Code,

INMEDIATA HEALTH GROUP, CORP.
(a wholly-owned subsidiary of Inmediata Corporation)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

shall refer to any corporation with 50% or more of the voting rights or 50% or more ownership by no more than five individuals; with certain types of stocks excluded.

A group of related companies, as defined in Section 1010.5 of the 2011 Code, shall refer to a controlled group of companies as defined in Section 1010.4 of the 2011 Code, or a group of companies related, through stock ownership of a parent company in common, when the parent company: (1) owns 50% or more of the voting rights or at least 50% of the total stock of at least one of the entities in the group, and (2) for each corporation in the group, another entity in the group owns 50% or more of the voting rights or of the total stock corporation.

As of December 31, 2017 and 2016, the Company's related entities follow:

	<u>Year-End</u>
Net Claim Solutions, Inc.	December 31
Claims Software Development, Corp.	December 31

12. RISK CONCENTRATIONS

The Company attempts to limit concentration of credit risk due to cash in commercial bank accounts, however its deposit balances may, at times, exceed federally insured limits. The Company has not experienced any losses on such accounts. All deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit are standardly insured for up to \$250,000. The standard insurance coverage is per depositor, per insured bank, for each account ownership category.

As of December 31, 2017 and 2016, the Company's uninsured cash deposits amounted to \$3,226,668 and \$3,734,113, respectively.

13. MAJOR CUSTOMERS

At December 31, 2017 and 2016, amounts due from two major customers represent 18% and 47%, respectively, of total accounts receivable trade balance. During December 31, 2017 and 2016, sales to two major customers accounted for approximately 12% and 14%, respectively, of total revenues.

14. SUBSEQUENT EVENTS

The Company evaluated subsequent events through July 13, 2018, the date on which the financial statements were available to be issued. There are no material subsequent events that require further disclosures in the Company's financial statements.